

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 SS-20 SPC-03 NSC-10 L-03

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E.O. 11652: N/A

TAGS: ETR, EIND, XT

SUBJECT: CIVAIR: EUROPEAN AIRCRAFT INDUSTRY DECLARATION

1. SUMMARY. LE MONDE REPORTS LEADING AIRCRAFT MANUFACTURERS IN EEC HAVE SENT COMMON DECLARATION TO EEC INSTITUTIONS AND TO GOVERNMENTS URGING PROMPT MEASURES TO PROTECT EUROPEANS AGAINST COMPETITION FROM US AIRCRAFT INDUSTRY. MARKETING AIDS AS WELL AS BUY-EUROPEAN POLICY BY EUROPEAN AIRLINES FOR EUROPEAN ROUTES ARE RECOMMENDED. DEFENSE MINISTER GALLEY ALSO CALLS FOR CREATION OF "REAL" EUROPEAN MARKE FOR EUROPEAN AIRCRAFT INDUSTRY. INDUSTRY VIEWS REFLECT GOF THINKING AND IT MAY BE THAT GOF TACTIC HAS BEEN TO WAIT TO REACT TO EEC LEVEL TO INDUSTRY VIEWS THUS SURFACED.

2. LE MONDE OCTOBER 20 REPORTS ELEVEN LEADING AIRCRAFT COMPANIES OF FRANCE, BELGIUM, ITALY, FRG, NETHERLANDS AND UK HAVE ADDRESSED "COMMON DECLARATION" TO EEC INSTITUTIONS AND TO THEIR RESPECTIVE GOVERNMENTS URGING LIMITED OFFICIAL USE

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EARLY ADOPTION OF MEASURES TO COUNTER US COMPETITION.

DECLARATION IS QUOTED AS STATING THAT "POLITICAL DECISIONS MUST BE TAKEN VERY PROMPTLY IF EXISTENCE AND INDEPENDENCE OF EUROPEAN AERONAUTICAL INDUSTRY IS TO BE ASSURED, FOR OTHERWISE ONLY SOLUTION WILL BE TO RESIGN OURSELVES IN MORE OR LESS NEAR FUTURE TO MODEST AND LIMITED ROLE OF SUBCONTRACTOR FOR AMERICAN INDUSTRY."

3. AFTER CLAIMING AMERICAN INDUSTRY HAS ACQUIRED 20 TO 35 PERCENT PRICE ADVANTAGE NOTABLY AS RESULT DEVALUATION AND LESS RAPIDLY RISING COSTS, DECLARATION CONTRASTS AMERICAN INDUSTRY WITH ITS BENEFIT FROM SPIN-OFF FROM MILITARY AND SPACE PROGRAMS, LARGE INTERNAL MARKET AND LARGE SCALE PRODUCTION WITH COMPARTIMENTALIZED EUROPEAN INDUSTRY HAMSTRUNG BY VARYING INTERNAL LEGISLATION AND REGULATIONS. A SERIES OF MARKETING AIDS AT COMMUNITY LEVEL ARE RECOMMENDED RELATING TO CREDIT, INSURANCE, EXCHANGE RISKS, COST ESCALATION, AND GUARANTEES FOR FINANCING, AND STATES ARE ASKED TO SUPPORT AIRCRAFT CONSTRUCTION PROGRAMS UNDERWAY. IN ORDER RENDER PRODUCTIVE THAT INVESTMENT ALREADY CARRIED OUT, GOVERNMENTS ARE FURTHER URGED TO ENCOURAGE THEIR AIRLINES TO BUY EUROPEAN AIRCRAFT, IN PARTICULAR FOR USE ON EUROPEAN ROUTES. LE MONDE ALSO QUOTES DECLARATION AS STATING THAT AMORTIZATION OF INVESTMENT, DEVELOPMENT OF TECHNICAL EXPERTISE, AND PRESERVATION OF EUROPEAN INDUSTRIAL BASE IMPLY A COMMON POLICY BY EEC MEMBER STATES IN PRODUCTION AND SUPPLY MILITARY EQUIPMENT.

4. SPOKESMAN FOR SNIAS (AEROSPATIALE), WHICH ALONG WITH DASSAULT SUBSCRIBED TO DECLARATION FOR FRENCH INDUSTRY, INFORMED US DOCUMENT WAS IN FORM OF MEMORANDUM AND THERE WAS NO INTENTION MAKE IT PUBLIC.

5. WE ALSO NOTE IN ANNIVERSARY ISSUE OF FRENCH TRADE WEEKLY AIR ET COSMOS ARTICLE BY DEFENSE MINISTER GALLEY WHO CALLS FOR "REAL CREATION OF A EUROPEAN MARKET FOR THE AERONAUTICAL INDUSTRY" IF THAT INDUSTRY IS TO SURVIVE. HE ALSO URGES GREATER COORDINATION AMONG EUROPEAN STATES BEFORE NEW AIRCRAFT ARE DEVELOPED AND ELABORATION OF BETTER OVER-ALL METHODS OF LIMITED OFFICIAL USE

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COOPERATION AT INDUSTRY LEVEL BASED ON LASTING TIES AND NOT JUST ON CASE BY CASE ARRANGEMENTS.

6. COMMENT : TENOR OF "DECLARATION" AS WELL AS GALLEY SUGGESTIONS ARE IN LINE WITH GENERAL MEASURES GOF SPOKESMEN HAVE BEEN URGING FOR SOME TIME (E.G. GUENA REMARKS REPORTED PARIS 24452 NOTAL. DECLARATIONN MOREOVER, SERVES FRENCH INTERESTS WELL SINCE, AS WE

HAVE OFTEN HAD OCCASION TO POINT OUT, THEY ARE PRONE TO EQUATE "EUROPEAN" WITH "FRENCH" INsofar AS AERONAUTICAL INDUSTRY IS CONCERNED; HAVE HIGHLY DEVELOPED MILITARY AS WELL AS CIVIL AVIATION INDUSTRY; AND CERTAINLY HOPE BUY-EUROPEAN POLICY BY EUROPEAN AIRLINES FOR SHORT EUROPEAN ROUTES WOULD BOOST SALES OF DASSAULT-BUILT MERCURE AND SNIAS-ASSEMBLED AIRBUS. (ABSENCE OF SNECMA-- AND ROLLS ROYCE-- FROM SIGNATORIES OF DECLEARATION IS INTERESTING AND SIGNIFICANT, FOR IN ALL THE CONTINUING DEBATE IN FRANCE ON FUTURE OF AERONAUTICAL INDUSTRY AND CRITICISM OF US COMPETITION THERE IS LITTLE REFERENCE TO GE-SNECMA OOPERATION ON JOINT DEVELOPMENT OF 10-TON ENGINE, WHICH PRIOR TO PROJECT'S APPROVAL WAS PROMINENTLY CITED AS TEST CASE FOR FUTURE COOPERATION BETWEEN US AND FRENCH INDUSTRY.) WE CONTINUE TO BE STRUCK BY FACT THAT WHILE GOF SPOKESMEN PERSIST INEXPOUNDING THEIR VIEWS PUBLICLY THERE HAS BEEN NO RECENT GOF INITIATIVE OF WHICH WE ARE AWARE TO IMPLEMENT SUCH MEASURES AT EEC LEVEL. IT MAY BE THAT GOF TACTIC HAS BEEN TO ENCOURAGE SURFACING OF ECHOED VIEWS AT INDUSTRY LEVEL (NOT DIFFICULT SINCE SNIAS IS NATIONALIZED FIRM) TO WHICHGOF CAN NOW REACT IN EEC FRAMEWORK.

IRWIN

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